Issues of Human Resource Management Practices on Organization Performance: A Case Study of Nepal Telecom

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ABSTRACT

Objective: To identify and evaluate the impact of human resource practices on organization performance in service sector.

Methods and Materials: Two main sources of data namely primary and secondary were used in the study. The primary data were collected through mail questionnaire method from 132 employees of Nepal Telecom organization for the study. The secondary source was through journals, textbooks and annual reports of Nepal Telecom.

After collecting responses from 132 respondents, the data were analyzed through SPSS. The value of Cronbach's Alpha (α) of overall questionnaire is 0.84, which suggests the reliability of primary data. Descriptive as well as explorative research designs were used to analyze the primary and secondary data.

Results and Conclusion: The coefficient of determination between human resource practices and organization performance is 70.89%. There is strong correlation among all independent and dependent variables. All three independent variables are significant positive impact on dependent variable. The study concluded that there is a positive relationship between human resource practices and organization performance of Nepal Telecom organization.

Article type: Research Paper

Keywords: *Human Resource Management, Human Resource Management Practices, Staffing Practices, Incentives Practices, Training Practices, Organization Performance*

Background of the study

The economic environment is ever changing and organizations today are operating in a very dynamic and competitive environment. In order to remain relevant, they have to be able to respond quickly to the changing customer needs and demand (Njanja, 2013). To compete effectively in this environment, organizations should focus on improving their organizational performance and productivity by lowering costs, improving quality or output and introducing innovative products (Muchhal, 2014). Keeping such changes in mind, it is very important for any organization to effectively manage HR to achieve its goals while satisfying its customers. As developing economies generate chances, it also presents some challenges. The biggest challenge that any organization irrespective of its type, size and nature of ownership and control faces today is in regard to the development and utilization of the human resources. Human resource can simply be defined as people who are ready, willing and able to contribute to organization objectives. HR helps to enhance organization performance by attracting, identifying and retaining employees with Knowledge, Skills and Abilities and getting them to behave in a manner which further supports the objective of the organization (Muchhal, 2014). Proper utilization of HR is key to any organization gaining competitive advantage over its rivals. HR policies must be aligned to business strategies for organizational success. HRM practices have the ability to create and organization that is more intelligent, flexible and competent than their rivals through the application of policies and practices that concentrate on recruiting, selecting, training skilled employees and directing their best efforts to help the organization (Quansah, 2013).

Human resources have now become strategic resources to gain sustainable competitive advantage in the age of globalization. No matter the technologies and the machinery developed, HR still remains the single

most important resource for any organization. Effective management of a firms HR practices can generate and increase knowledge, motivation, synergy, commitment which helps an organization gain competitive advantage (Muchhal, 2014). It is especially true in context of service oriented organization, such as Nepal Telecom, where the ever growing expectations of people can only be met by improving the quality of services that the organization provides to its customer. Therefore, for any business to survive, HRM should be given its rightful place of relevance in any organization and not left in the hands of line managers who neither have the expertise nor the time and space to carry out the HR functions.

Problem Statement

Nepal Doorsanchar Company Ltd., popularly known as Nepal Telecom is state owned telecommunication service provider in Nepal with 91.49% of the government share. The company was a monopoly until 2003, when the first private sector operator United Telecom Limited started providing basic telephony services. With changing HRM practices in today's world, it is important for managers, executives and HR employees to be aware of the challenges that lie ahead. Finding employees with correct blend of expertise and motivation is difficult, even if we are provided with a pool of qualified candidates (Nasir, 2013). Thus whether to complement the existing workforce or to fill up vacancies, one of the major problem any organization faces is proper recruitment. Also with organizations nowadays focusing on minimizing costs and the slow economy that exists in the nation, it is also very important to address the issues regarding employee benefits and incentives compensation. It is also important to understand what sort of incentives (financial or non-financial) motivate employees to perform better. Assessing performance of employees and providing them with appropriate compensation can also prove to be a major challenge in today's world for the HR department (Mufeed, 2015).

Another critical issue any HR department should address is the Training and Development of the Human capital available within the organization. The costs for these training programs are relatively high and with most organizations focusing more on minimizing costs, these Training and development programs suffer as a result. Even then, with the ever changing technologies in the telecommunication sector, it is important that employees get a proper opportunity to harness their skills and competencies so that they can adapt easily to such changes.

Objectives of the study

The main objective of this research project is to evaluate the impact of HRM practices on the overall organization performance of Nepal Telecom. The following are taken up as specific objectives:

    a.   To find out the Staffing and Assessment practices and its impact on organization performance.

    b.   To find out the Incentive practices and its impact on organization performance.

    c.   To find out the Training and development practices and its impact on organization performance.

Conceptual Framework

The conceptual framework basically helps to develop and describe the relationship among the dependent and independent variables. The variables used for this study are HRM practices (staffing and assessment practices, incentives practices and training and development practices) and organizational performance. The HRM practices will be used as independent variables while the overall organizational performance will be used as dependent variable, as it is expected to change with respect to the changes in independent variable, i.e. HRM practices. This shall be the issue of primary interest for our study.

Figure: 1 Conceptual framework of the study
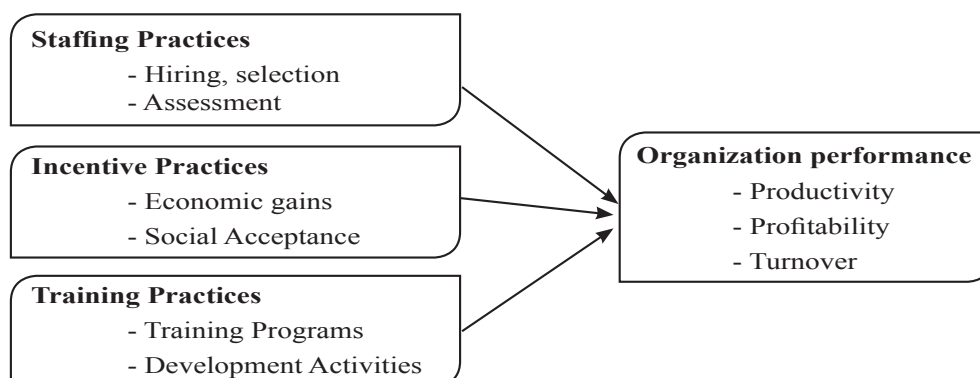
Review of literature

Human resource management (HRM) is concerned with managing people in the organization. It is the most essential function of management. Managing people is important for managing organizations. Organizations need people and people need organizations. It is people who staff, lead as well as control the organizations (Agrawal, 2009). HRM was originally believed be a conceptual framework that consisted of a philosophy underpinned by number of theories which were drawn from behavioral sciences and the field of strategic management, human capital management and industrial relationships (Armstrong, 2016). Human resource management is generally a system, strategies and practices that can affect employee's performance in an organization. Human Resource Management (HRM) has become very popular over the past decades, and it is now a common characteristic for almost all large and small organizations. One of the reasons for this popularity is that the HRM is thought to be a source for competitive advantage and it influences the organizational results and performance in a positively (Bryemo, 2015).

Due to various differences in the interpretation of HRM, there has been emergence of different terms as an attempt to clarify the approaches to managing the human resource, namely the Soft and Hard variant of Human Resource Management (Storey, 1992). Soft HRM primarily focuses on the approaches to improve employee training, development, commitment and participation while Hard HRM primarily focuses on the strategies where HR are used to achieve the goals of the organizations. These may include cost control and head count strategies, especially in business processes like downsizing, lowering wages etc. (Beardwell, 2007) . Human resource practices simply refer to the various policies and practices involved in carrying out the human resource related aspects of a management position, which includes Human resource planning, job analysis,, recruitment, selection, orientation, compensation, performance appraisal, training and development and labor relations (Dessler, 2007). These various HR practices affect the employees' attitudes and behavior, which in turn affects the operational performance, such as productivity, quality and innovation, which can have a positive effect on the financial and market performance (Bryemo, 2015)

Tiwari, 2012 defined Human Resource Practices as organizational activities that are directed at managing the pool of human resources available in the organization and ensuring that these resources are directly employed towards the achievement of organizational goals. Similarly, Minbaeva (2005) viewed HRM practices as a set of practices that are used by organizations to efficiently manage their human capital by facilitating the development of various competencies of individuals. In other words, Human Resource Practices can also be defined as a system that attracts, develops, motivates and retains employee to ensure the effective implementation of plans and policies which results in the survival of the organizations as well as its members (Jackson, 1987). HRM practices can also be thought of as a conceptualized set of internally consistent plans, policies which are designed and implemented to make sure that a firm's human capital is capable enough to contribute in the achievement of an organizations business objectives (Delery & Doty, 1996).

In Nepal, the concept of HRM rose after the liberalisation and privatization policy in 1990. Prior to this, Nepalese organizations were not using any defined HR strategies. Establishment of private business organizations and joint ventures gave Nepal various opportunities. Examples include, pay and benefits became competitive for competent employees, and many organizations started emphasizing on performance. Similarly, training and development programs were highly welcomed as a way of developing skills and knowledge of employees (Adhikari & Gautam, 2011). Career development is not a one shot training program or career planning workshops. Rather, it is an ongoing organized and formalized approach that recognizes individuals as a vital organization resource (Leibowitz, 1987). The career development phase, thought to be relatively young, has seen tremendous changes mostly due to career opportunities and paths are less structured and predictable than they were three decades ago. Instead of job security and career-long tenure with one organization, downsizing and technological change now characterize the business world (Leibowitz, Gutteridge, & Shore, Organisational Career Development, 1993).

Career development can occur in various ways in today's organizations. In an increasing number of organizations, career development responsibility is being shifted to the employee. Although an employee-empowerment approach to developing can be positive, it can be negative if taken too far (Gomez-Mejia, Balkin& Cardy, 2013). Giving individuals total responsibility for their own careers can create a problem in today's flatter organizations, where opportunities to move up through the hierarchy are fewer. Employees need at least a general guidance related with the steps that they can take to develop their careers, both within and outside the company.

Career development is a continuing cycle of three phases: an assessment phase, a direction phase and a development phase (Gomez-Mejia, Balkin& Cardy, 2013). Each phase is an important part of developing the workforce. In the assessment phase, employees' skills, interests and values are identified. These assessments can be carried out by the workers themselves, by the organization or by both. Self assessment is generally done through career workbooks and career planning workshops. Organization assessment is done through assessment centers, psychological testing, performance appraisal, succession planning.

The direction phase includes determining the type of career that employees want and the steps they must take to make their career goals a reality. During this phase, workers may receive individual career counseling or information from a variety of sources, including a job-posting system, skills inventories, and career path and career resource centers. The development phase involves taking actions to create and increase employees' skills and promotability. The most common development programs include mentoring, coaching and job rotation.

Research Methodology

We can infer from literature review that impact of HRM practices had widely been studied in different countries but not in Nepal. This research is focused on the impact of several HRM practices impacting the overall organizational performance of Nepal Telecom. In order to understand this phenomenon, required data was collected from employees of Nepal Telecom. The data had been collected through survey questionnaires by visiting different branches of the Organization.. In order to further know the impact of specific HRM practices on organizational performance, values of sample mean, variance along with multiple regression and correlation was conducted respectively.

Data source and data collection tool

Data was collected through convenience sampling technique by visiting the headquarters and other 10 branches of Nepal Telecom within the Kathmandu valley, as it is easier to access these branches rather than visit other branches which are outside the valley. Also, about 132 employees were requested to fill the questionnaire. The employees range from first line managers to supervisors to technicians within the organization. The research questionnaire was a 5 - point Likert's scale and it had separate sections for staffing practices, incentive practices and training practices within the organization as well has different sections for organizational productivity, organizational profitability and employee turnover. The 5- point in the scale ranged from 1 to 5 which were strongly disagree, disagree, neutral, agree and strongly agree. The total questions amount to 38 to evaluate the impact of HRM practices, with 6 questions related to demographic profile of the respondent.

Similarly, to better understand the HR activities within the organization and how it has affected the organization, 11 questions were developed to ask to various staffs of HR and Administration in Nepal telecom. This has further helped to deeply analyze the organizations HR policies and plans for the future.

Data Analysis Method

The collected data was treated and analyzed in the SPSS v.20 software. Various statistical tools and techniques were used to achieve the proposed research objective. Mean, Variance and Standard Deviation were conducted to analyze the characteristics of the sample. Also, because all of the hypotheses were relational and consisted of three independent variables, multiple correlation and regression was used to analyze the relationship among the variables.

Data Presentation and Findings

- **Personal and Demographic Characteristics of Employees**

To achieve the objectives of the study, 132 employees from Nepal Telecom Organization were selected for interview. The questionnaire was designed to collect personal information of respondents such as their gender, age, academic qualification, nature of job and experience of employees and opinions on the various incentives and career development opportunities. The detail personal profiles and demographic characteristics of the bank employees are presented in Table 1:

Table 1 Percentage distribution of respondents by personal and demographic characteristics

Demographic Profile of the Respondents	Frequency	Percent
Gender		
Male	91	69
Female	41	31
Marital status		
Single	10	8
Married	119	90
Divorced	3	2
Age		
20-29	7	5
30 -39	56	42
40-49	51	39
50 and above	18	14
Academic Qualification		
Master and above	70	53
Bachelor	57	43
up to Higher Secondary	5	4
Nature of Job		
Temporary	36	27
Permanent	96	73
Work Experience in years		
Below 1 year	14	11
1-5 years	20	15
5-10 years	45	34
Above 10 years	53	40

Source: Primary Field Survey, 2018

Table 1 exhibits the percentage distribution of employees by personal and demographic characteristics. Of total respondents, there were 91 males and remaining 41 were females. The percentages of male and female respondents were 69 and 31 respectively. Majority of the employees (82%), working in the Nepal telecom   were the age group below 50 years. When the marital status of the respondents was analyzed, it is found that the percentages of single, married and divorce are 8, 90 and 2 percentages respectively.

When the education status of employees was analyzed, it showed that there were 4 percent employees were found to have higher secondary level, 43 percent bachelor degree and remaining 53 percent above bachelor degree. It is noted that majority of the respondents (96%) were of the group of bachelor and higher academic qualifications. Employees who had completed their graduate level and higher education level were the main workers and service providers of the Nepal telecom. The percentage of employees from temporary level was higher (27%) and from permanent level 73% respectively.

The respondents by the service experience were classified in four categories ranges from below 1 years of experience to above 10 years of experience. The analysis indicates that majority (60%) of the employees had less than 10 years of experience. The analysis suggests that about 60% percent of employees had below 10 years of experience and they made up the highest group of employees in the Nepal Telecom Organization.

- **Descriptive Statistics**

Table 2 Mean and standard deviation of HRM practices

HRM Practices	Mean	Std. Dev.
Staffing Practices :Hiring, selection and Assessment	3.58	0.74
Incentive Practices: Economic gains, Social Acceptance	4.17	0.71
Training Practices: Training Programs, Development Activities	3.61	0.59

Source: Primary Field Survey, 2018

It is noted from Table 2 that HRM practices on incentive practices which includes economic gains and social acceptance had the highest mean score i.e. 4.17 followed by training practices which includes training programs and development activities(mean score 3.61), and staffing practices which includes hiring, selection and assessment (mean score 3.58) respectively. The consistent HRM Practices becomes Training practices, which bears least value of standard deviation i.e. 0.59.

- **Correlation analysis**

The Pearson correlation has been computed and results are presented in the following table.

Table: 3 Karl Pearson's correlation coefficients among all dependent and independent variables

Correlations				
	Organizational Performance	**Staffing Practices**	**Training And Deveopment Practices**	**Incentive And Compensation**
Organizational Performance	1			
Staffing Practices	.382**	1		
Training And Deveopment Practices	.378**	.453**	1	
Incentive And Compensation	.362**	.232**	.186*	1
**. Correlation is significant at the 0.01 level (2-tailed).				
*. Correlation is significant at the 0.05 level (2-tailed).				

Source: Primary Field Survey, 2018

From the above table, we can clearly see that there is a positive and significant relationship between staffing practices and organizational performance at 1% level of significance. Similarly, there exists a positive and significant relationship between incentive and compensation practices and organization performance. Finally, the above table also shows that there is a positive and significant relationship between training and development practices and organization performance at 1% level of significance.

- **Regression Analysis**

Table 4 Regression equation of organization performance on HRM Practices

$OP = \beta_0 + \beta_1 SP + \beta_2 IP + \beta_3 TP + \ldots + et$				
Parameters	Coefficients	se	t	Sig.
β_0	1.02	0.28	3.64	0.000
$\beta_1 SP$	0.18SP*	0.07	2.57	0.014
$\beta_2 IP$	0.25IP*	0.09	2.78	0.008
$\beta_3 TP$	0.22TP*	0.06	3.67	0.001
$R^2 = 0.71$	F(3,128)=26.55	DW=2.21	d.f.=128	

a.　　　　Dependent Variable: ORGANIZATIONAL PERFORMANCE

Number of observations=132

*Note: *　Significant at 0.01 levels*

*** Significant at 0.05 levels*

Where

OP= ORGANIZATIONAL PERFORMANCE　　　　SP= Staffing Practices　　IP= Incentives Practices

TP= Training Practices

It is observed that the explanatory power of the R^2 is 0.71 indicating that 71 percent variation in the level of organization performance is explained by variation of the independent variables included in the model. The F statistic of this model is also statistically significant at 1 percent. It is hypothesized that the signs of all independents variables are positive and significant. The predictors SP, IP and TP are found with positive sign as per expectation. It is found that other variables keeping constant, one percent point increase in SP leads to 0.18 percent on the level of organization performance. Similarly, it is noted that one percent point increase in IP increases by 0.25 percent on the level of organization performance if other variables keeping constant. Likewise, one percent point increase in TP increases by 0.22 percent on the level of organization performance if other variables keeping constant. Here all independent variables are significant at 1% level of significance.

Table: 5 Hypothesis Testing

SN	Hypothesis	T Value	Remark
H_{01}	Staffing practices is positively significant with organization performance.	2.57	Accept Hypothesis
H_{02}	Incentive practices are positively significant with organization performance.	2.78	Accept Hypothesis
H_{03}	Training and development activities are positively significant with organizational performance.	3.67	Accept Hypothesis

Conclusion

The aim of this study was to evaluate the effectiveness of HRM practices in performance of Nepal Telecom. To make the study specific, only three HRM practices were studied which includes, Staffing practices, Incentive practices and Training and Development practices.

The research revealed that majority of the employees in the organization are influenced and motivated by HRM practices. To get answers of research questions relating to the effectiveness of HRM practices on performance of organization, a survey questionnaire was prepared and the results were positive. The findings of the study show a positive impact of HRM practices with organization performance. HRM practices such as Staffing, incentive and rewards as well as training and development positively influence the organizational performance. Effective HRM practices are a major factor to influence the performance of employees which will subsequently help in improving the overall organization performance.

This study has pointed out the impact of HRM practices with overall organization performance. The study shows that, the employees are directly influenced by training and development, staffing practices and Incentive practices. From the study, it is found that employees are more dedicated towards their work if the organization provides them with adequate rewards, effective training and good staffing practices within the organization.

This study clearly revealed that HRM practices are important for every organization as these practices play a vital role in influencing employees which will lead to overall organization performance.

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